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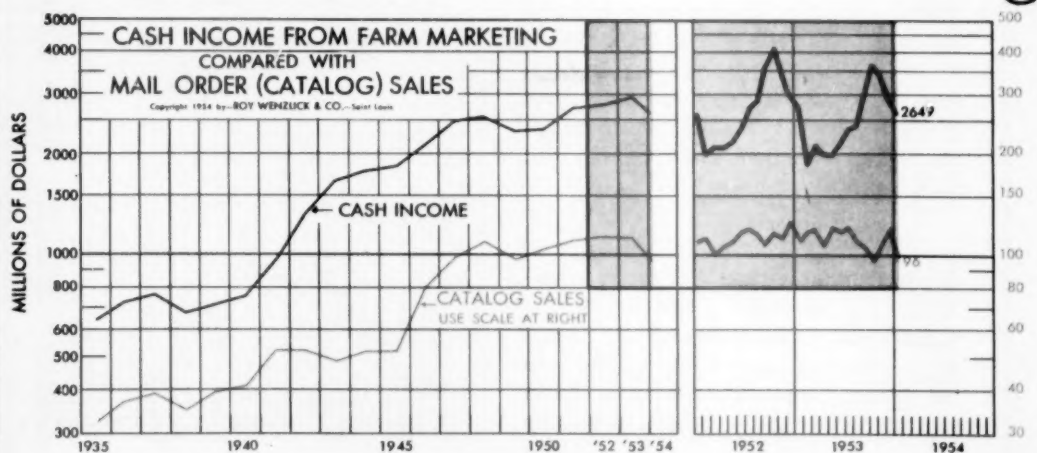
Real Estate Economists, Appraisers and Counselors

FARMER'S OUTLOOK STILL GOOD

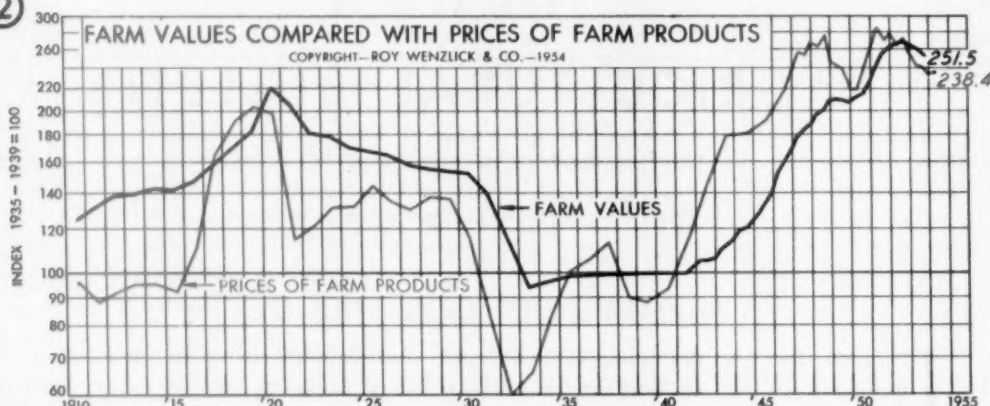
IN these days of drought, dust storms, and dipping farm income, it is cold comfort for the farmer to hear about his promising future. Nevertheless, the long-range farm outlook is as promising as that of any segment of the economy.

There is no other field in which research is so active and so widespread, and costs its chief beneficiary so little. There are few fields where technological improvements have produced so bountifully, and there are few minority groups (the farmers are a minority group and becoming more so each year) that wield such political influence. There is nothing on the horizon that suggests these conditions will change to the farmers' detriment. Indeed, the very nature of farm products and the increasing world population demand that if they change they do so to the farmers' advantage.

Across the nation, hundreds of laboratories and experimental stations pour out better ideas, better methods, better seeds, better feed, and antibiotics. Farm machinery designers work round the clock improving, changing, and redesigning farm equipment. Thriftier and more adaptable strains of stock are being developed. Better and cheaper fertilizers are pouring from the chemical plants and being used in increasing amounts.



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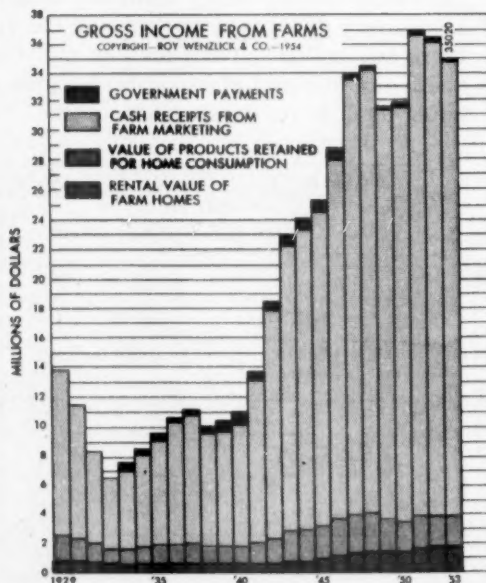
Slowly (almost reluctantly at times), the South is changing from a one-crop economy to diversification. In many fields, smooth, stocky beef cattle stand belly deep in grass where for years nothing but "bumblebee" cotton was grown. Tree farms are beginning to blanket hillsides that a few years ago were carved and scarred by erosion, and literally hundreds of thousands of farm ponds are now in operation to help control runoff and to provide food, fish and recreation.

Yes, despite the difficulties of 1953, the farmers' future is bright; and speaking of 1953, it was not so bad despite all of its publicity. Even with the break in the cattle market and the widespread drought, 1953 was the third best year in history from the standpoint of gross income. Only in 1951 and 1952 did the farmers' gross income rise higher than it did during the past year.

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Chart 1. This chart contrasts the amount of farm income with mail order catalog sales. The expanded portion at the right shows the extreme seasonal fluctuations in farm income, whereas the catalog sales follow a more regular pattern. Last quarter cash income in 1953 was 5.7% below that of 1952, while catalog sales dropped 8.3% during the same period.

Chart 2. This chart shows that the prices received for farm products have been in a steady downward trend since early 1951. Thus far, the drop has been 17½%. On the other hand, the average value per acre of farm lands has been



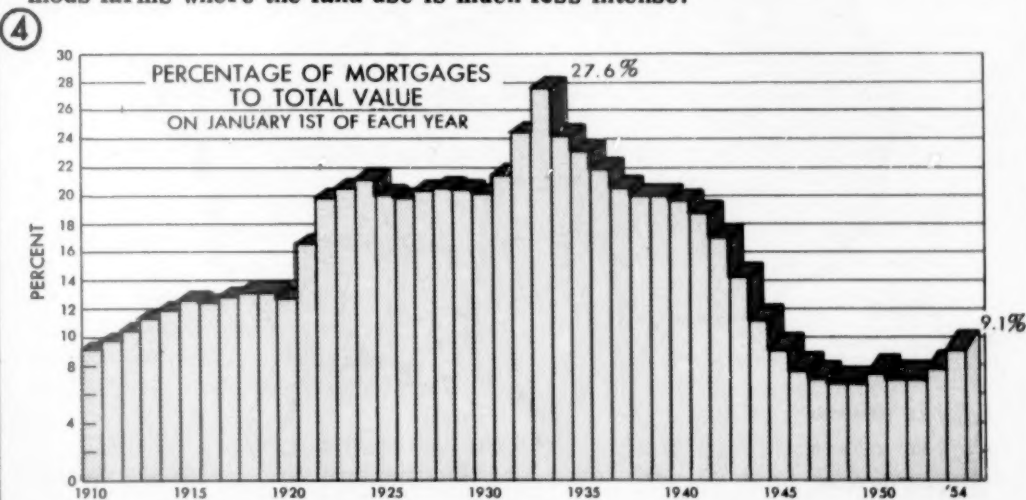
dropping only since the middle of 1952. Its total drop to date amounts to $6\frac{1}{2}\%$. Past history suggests that farm land values will continue to move slowly down, although our open participation in another war could reverse this trend.

Chart 3. Gross income from farms is made up of the following factors: 1. rental values of farm homes; 2. value of products retained on farm for home consumption; 3. cash income from farm marketing; and 4. Government payments. We have already discussed the gross farm income situation in 1953 as compared with other years. There is one additional piece of information that we think is worth-while. Last year saw Government payments at their third lowest level since their inception. Only in 1933 and 1949 did the Government pay less money to farmers than it did in 1953.

Chart 4. Although the percentage of farm debt to farm value has been slowly rising since 1949, it is still lower than at any time before 1945. Now at 9.1%, it means that the American Farm is mortgaged to that extent of its value. The recent rises in this percentage were caused by: 1. declines in the average value of farm land; 2. small decline in the rate of repayment because of lower prices and drought; 3. refinancing of short-term debt with long-term mortgages; 4. an increase in the proportion of farm real estate sales that was credit financed; and 5. an increase in the average ratio of debt to sales price on those farm purchases that were credit financed.

Chart 5. Average cash income per farm in 1953 was near an all-time high. The map on page 196 shows these figures on a State-by-State basis.

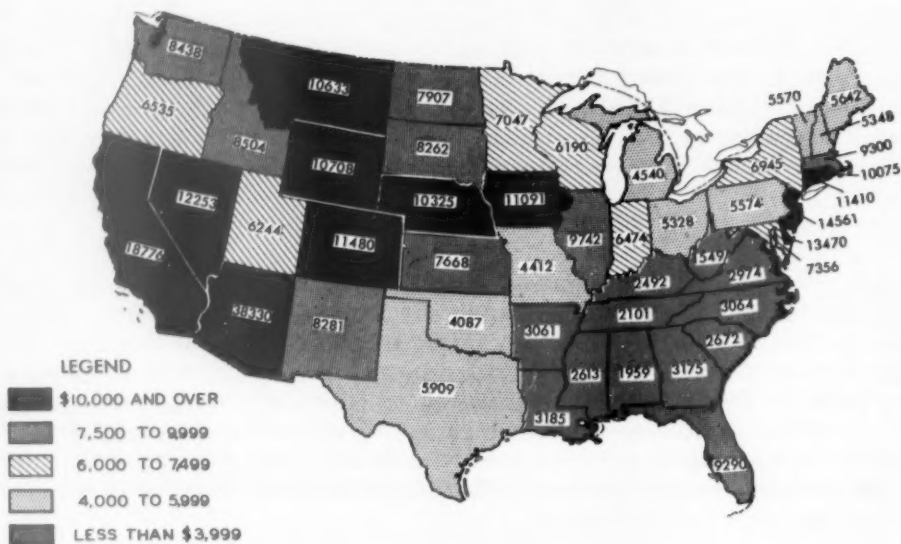
Of those States with the highest averages, the East Coast States are characterized by small, intensively used farms producing a high volume per acre of high-priced farm products - mostly fruits, vegetables and poultry. At the other extreme are the Mountain States, with a comparatively small number of enormous farms where the land use is much less intense.



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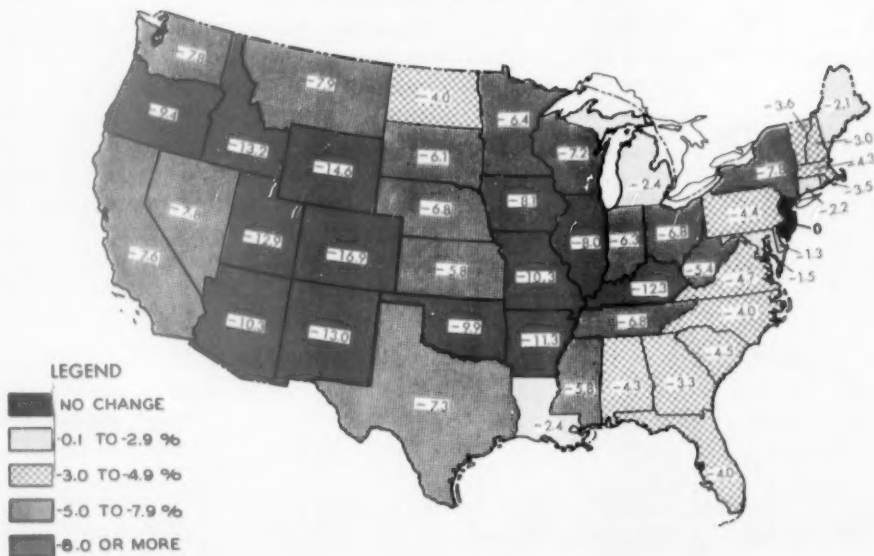
AVERAGE CASH INCOME FROM FARM MARKETING PER FARM BY STATES

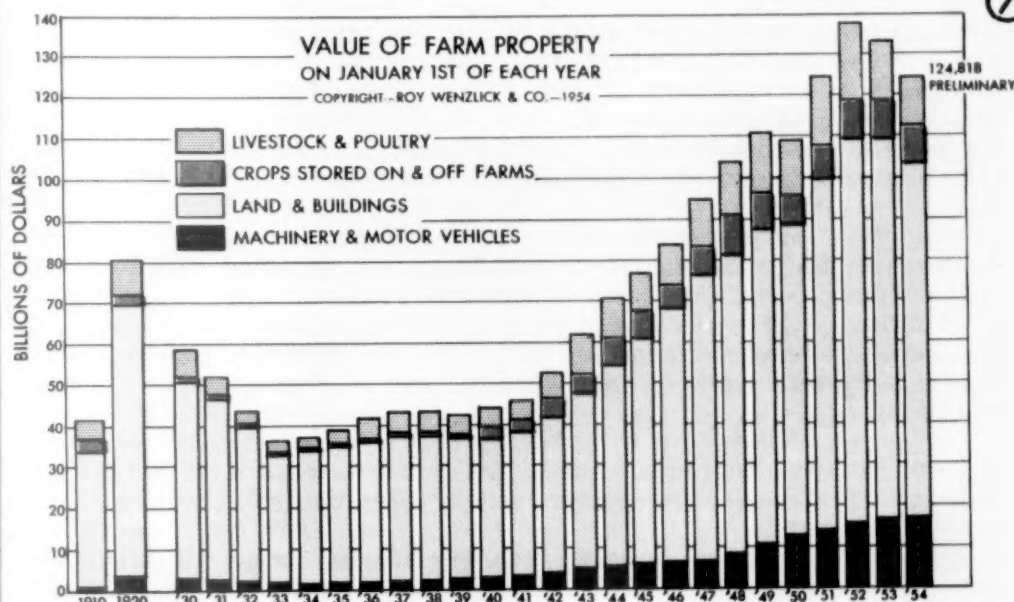
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PERCENTAGE CHANGE IN VALUE PER ACRE FROM POST WAR PEAK TO THE PRESENT





Arizona farms offer a mixture of these two extremes. In and around Maricopa County the farms are extremely fertile and well irrigated. Cultivation is intense and the farms are comparatively small. Over the remainder of the State the farms are enormous, averaging more than 6,600 acres each, or about 12 times the size of the average Maricopa County farm. Arizona, although having by far the highest average cash income per farm, is ranked thirtieth in the nation from the standpoint of total State farm cash income. Its high ranking insofar as the individual farm is concerned rises from the very low number of farms (10,412). There are only three States with fewer farms - Rhode Island, Delaware, and Nevada.

California continues to lead the nation's States in total farm cash income. In 1953 it reached \$2.58 billion. Iowa was in second place with \$2.25 billion, and Texas was third with \$1.96 billion. Despite its high ranking in the average cash income per farm, Nevada's total farm cash income ranked forty-seventh in the nation. Its total of \$38 million exceeded only that of Rhode Island (\$26 million). Here, again, as in the case of Arizona, the high average ranking was a result of a very low number of farms.

The most significant fact pointed out by this chart is the need for continuing diversification and conservation in the South. This, coupled with greater industrialization, will get more people off the farms and into industry and drastically improve the position of the southern farmer in the coming years.

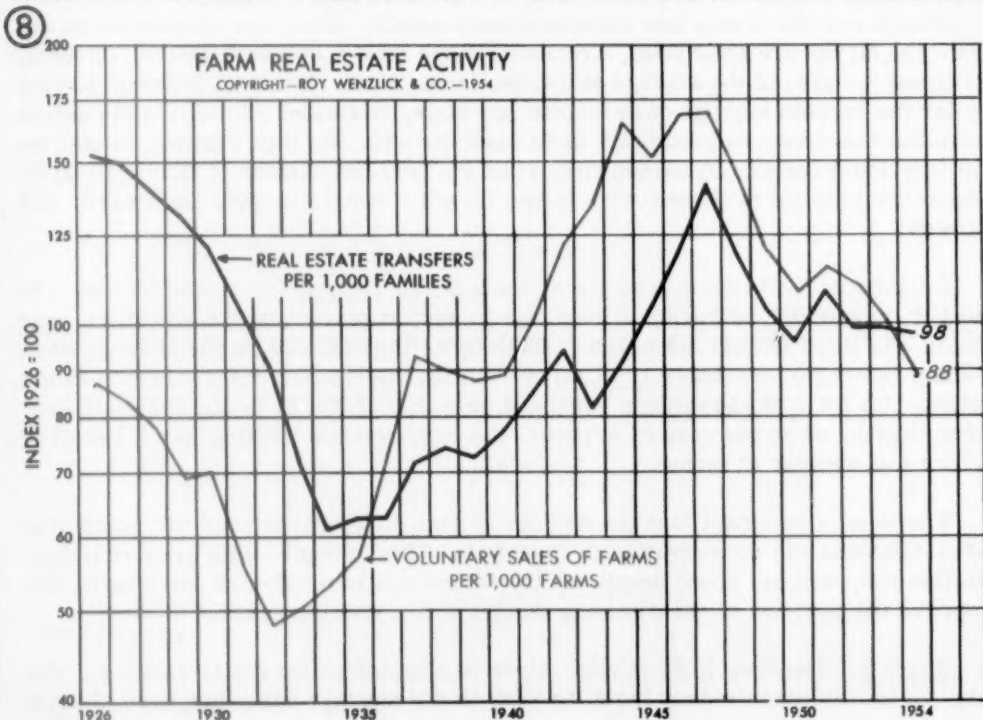
Chart 6. The drop in farm land values has spread to the entire country. The map shows the percent drop from the peak in the average value per acre of farm

lands by States. This is not particularly good statistical technique. It is the usual practice to have a set of statistics cover the same period of time. However, what we want to show in this chart is the percent drop in farm land values from their peak. Since the peak values were reached in the various States at different times, we had to adopt this unusual way of presenting the information. The peaks in farm land values in the various States were reached during the 1951-1953 period, with the largest number being concentrated in 1952.

Chart 7. Perhaps the most important fact shown by this chart is the tremendous increase in the value of farm machinery and equipment since 1940. In that year this group of assets was valued at \$3.1 billion. Today, the figure is \$17.5 billion, or an increase of more than fivefold. Some of the increase has been caused by an upgrading in value due to inflation. However, it seems a safe assumption that the average farm is now at least twice as mechanized as it was in 1940.

Although the value of farm property has been falling since 1952, it is still near its record peak, and is exceeded only by the years 1951 through 1953.

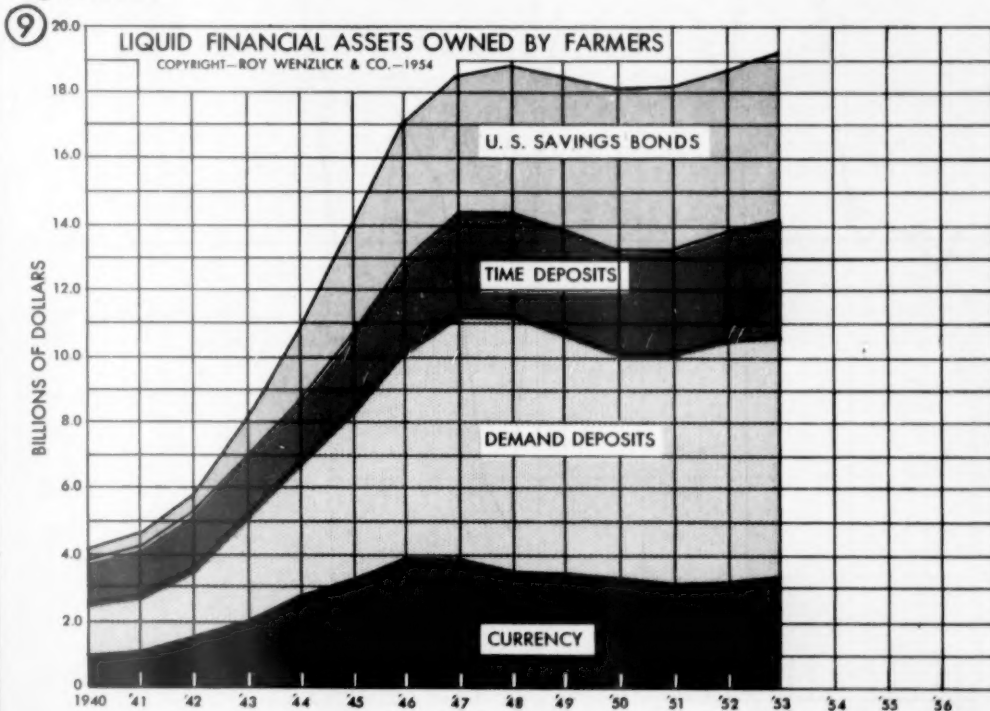
Chart 8. In chart 8 we contrast the two big real estate booms: the farm boom and the urban boom. The activity in farm real estate started some 2 or 3 years earlier, reached its first peak sooner, and hung on longer than did the boom in urban real estate. Notice that the extremes of the farm bust and boom were



even more pronounced than those of urban real estate.

Chart 9. This chart shows that on January 1, 1953, the American Farmer's liquid assets were higher than at any time in history. He held \$3.3 billion in currency, \$7.3 billion in demand deposits, \$3.6 billion in time deposits, and \$5.0 billion in United States savings bonds, or a total of \$19.2 billion in liquid cash assets. Since his total indebtedness amounted to \$16.0 billion on that date, his liquid assets exceeded his debts by 20%. Although this relation is still strongly in the farmer's favor, it is not so favorable as it was in 1948, when his debts totaled \$9.3 billion and his liquid cash assets totaled \$18.8 billion.

Chart 10. Most of us know that the parity ratio is the relationship between the prices farmers receive for their products and the prices they must pay for the various articles of home and production use. A parity figure of 90% means that the price level of farm products is 90% as high as the prices of the articles of home and production use the farmer must buy. At this time it seems likely that the 100% parity program will be allowed to go and automatically be replaced by price supports necessary to maintain only 90% parity. The basic commodities for which price supports are mandatory are cotton, corn, wheat, tobacco, rice, and peanuts. Other nonbasic commodities for which price supports are mandatory are wool, mohair, tung nuts, honey, milk, and butterfat. Support for the prices of other commodities is permissive and at the discretion of the Secretary of Agriculture.



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